

SIREN | FX

TRUE TRANSPARENCY FOR FX EXECUTIONS

Regulated under the UK Financial Conduct Authority (FCA) benchmarking regime Siren FX is an FX benchmark that is purposefully designed for trading which allows financial institutions to achieve improved returns on their foreign exchange executions.

Existing benchmarks, whilst excellent for the purpose for which they were designed; principally 'valuation purposes' have suffered as the market has inappropriately used them to trade, which does not suit their design.

Siren FX can sit beside the existing benchmarks, in a complementary manner and offer choice and an alternative methodology. This gives asset managers seeking greater transparency and true 'best execution' the tools they need.

When it comes to trading Siren FX offers a fully transparent, lower-cost alternative to existing valuation focused FX benchmarks, by providing a path to validate what the true costs are in execution, making it a compelling solution for asset owners and their asset managers, which have **struggled to meet their fiduciary duty** to ensure adequate transparency under Principle 9 of the FX Global Code of Conduct.

With post-pandemic volatility continuing to roil global markets, regulators and stakeholders are turning their attention to the **need for transparency** around these daily FX valuations and benchmarks. Asset managers have

been warned that established daily FX benchmarks may not provide the best value for customers and are advised to shop around for alternative valuation methodologies for portfolio inputs and redemptions.

The **costs of using existing benchmarks can be high**. Much of these rebalancing FX trades are based on the established WM Refinitiv benchmark, the so-called 4pm London fix. But due to recognised rate distortions around the narrow five-minute fix window, caused by the market using the rate for a purpose it was never intended for, executing banks may fail to deliver best execution for asset manager orders, with asset owners in turn paying over the odds for their portfolio executions.

Siren offers choice. Clients trade at the Siren FX benchmark - with its **longer, 20-minute window** - directly with their existing banks. The banks pay a small licensing fee (\$1 per million traded) for the benchmark service. The client benefits from better execution with lower market impact. The bank also benefits from delivering greater transparency which can help reduce their regulatory risk.

DELIVERING BENEFITS TO ALL

- › **Asset owners** benefit in terms of more cost-effective executions as well as meeting their fiduciary duty to their investors. They also enjoy greater transparency to call asset managers to account on their execution costs.
- › **Asset managers** benefit from more flexibility to optimise their hedging on a per-currency pair basis, allowing them to offer their asset owner clients cost-effective executions, improving customer outcomes and their ability to maintain and grow business.
- › **Executing banks** benefit from improved customer satisfaction from greater transparency around cost of execution and the ability to deliver best execution to asset managers and thereby asset owners. A specific data feed allows banks to minimise their tracking errors.

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BEST PRACTICE FOR BEST EXECUTION

- Siren FX benchmark service assists financial institutions with their fiduciary duties to their stakeholders by protecting their investment with minimal risk and costs.
- Analysis indicates that exchange rates often move against benchmark users' best interests with rates often trending to the day's highest or lowest point when the daily rates are calculated in a five-minute window around the established WM/R 4pm London fix.
- The Siren FX methodology has been designed with special characteristics for trading; this can reduce market impact and deliver lower cost execution for the majority.
- Siren FX uses sophisticated mathematical models and unique data sources to offer transparent valuations of more than 68 spot currency pairs, allowing institutions to regularly review their execution costs in accordance with Principle 9 of the FX global code.
- The Siren FX benchmark is an important element in enabling firms' to fulfil their fiduciary duty by providing a clear view of any changes in valuation either side of the market fix at 4pm.

HOW SIREN FX DIFFERS FROM ESTABLISHED MARKET BENCHMARKS

CHARACTERISTIC	SIREN FX	WM / REFINITIV	BLOOMBERG BFIX
Time of Fix	4pm London	4pm London	4pm London
Length of Fix Window	20 minutes	5 minutes	306 seconds
Frequency	Every 30 minutes	Every 30 minutes	Every 30 minutes
Number of currencies	25	28	25
Fee	\$1 per \$1 million Traded (sell-side only)	Subscription basis	Subscription basis
Probability of Achieving Best Execution	High	Low	Low
Savings study available on request?	Yes	No	No
Design Rationale	Trading	Valuation	Valuation

CHOOSE AN FX BENCHMARK THAT REDUCES MARKET IMPACT. CHOOSE SIREN FX

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